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The Central Bank of Nigeria's Cashless Policy and the Implementation of New Naira Redesign Swap in a Troubled Polity

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Abstract **Original Research Articles**

There is a greater link between politics and policy emanating from the political system and responses from the people. Historically, the naira redesign was first carried out in Nigeria in 1984. At that point, the exercise may have heralded some sort of difficulties but seems not to be completely attached to the caprices of one arm of government. The overbearing influences of the executive arm of government in the 2022 naira redesign policy had threatening to drift away the fiscal responsibilities from the CBN. This paper argues that CBN is not an anti-graft agency therefore meddling in her fiscal policies for the purposes of curbing corruption and curtailing vote buying during election is inimical to CBN's constitutional mandate. Utilizing post colonial state theory, the study relied on content analysis. The paper concluded that the continued personalization of state institutions has vehemently stall development of these institutions and the Nigerian State in general. It recommends speedy institutionalization of state agencies with the view to enhancing their capacity to perform their constitutional role.

Keywords: Cashless, Policy, Naira Redesign and Troubled Polity.

INTRODUCTION

Many nations of the world especially the developed economies have since abandoned cash economy. By 2009, the total global transactions not involving were 260 billion while constant average yearly growth by 2001 stood at 6.8% (World payments report 2011). Incidentally, virtually all increases arising from electronic payments are mainly in advanced economies. Yaqub, Bello, Adenuga & Ogundeji (2013) argued that presently third world countries are still developing their payments systems to enable larger acceptance and indeed the use of cashless means of payment.

Between 2008 and 2012, cashless transactions account for additional $983 billion in actual U.S dollar to the Gross Domestic Product of 56 nations. Card payment has raised consumption by an average of 0.7% across the 56 countries (Zandi et al. 2013). The actual world Gross Domestic Product also expanded averagely by 1.8% during the period (Zandi et al. 2013). Interestingly, a self-regulatory agency such as European Payment Council had also established a Single Euro Payment Area payment system for debit and credit transactions (Tee & Ong 2016). They further noted that Single Euro Payment Area facilitates all electronic transaction within Euro zone (Tee & Ong 2016).

In the last few decades, the ease and reliability of a cashless economy and electronic payment system have deepened with technology being the critical mechanism and driver for the migration from cash to cashless economy. Tee & Ong (2016) noted that the advancement of information technology has facilitated innovation in electronic payment where goods and services are traded without the use of physical cash. In April 2011, the Central Bank of Nigeria (CBN) announced its readiness to introduce cashless policy with the sole earn of promoting the use of electronic payment systems and fast-track growth and development. By January 2012, CBN used Lagos state to test run her cashless monetary policy. However, the failure of the policy to accomplish all prospects constrained the CBN from full implementation nationwide. As a result, implementation in Kano, Port Harcourt, , and the Federal capital territory were experimented in phases.

Essentially, while the CBN has successfully extended cashless policy nationwide, the introduction of new banknotes on October 26, 2022 threatened businesses and means of exchange. In fact, the controversial naira redesign policy triggered economic difficulties for individuals and businesses, resulted in currency shortages, black market selling and sharp practices in many of the financial institutions. Also, the unavailability of the new naira notes, tight deadlines within which citizens are expected to swap the old naira and the elitist disgruntled position that the policy coincided with general elections appeared to have hindered easy implementation of new naira swap.

Obviously, large number of studies conducted in this area of study focused mostly on digital transfers and its implication on national economy (Odior, & Banuso, 2012; Yaqub, Bello, Adenuga & Ogundeji, 2013; Okoye & Raymond, 2013; Ejoh, Okpa & Egbe, 2014; Ajayi & Ojo, 2016; Ibe & Odi, 2018; Olujobi, 2022). However, this study interrogates the underlining political tendencies influencing Central Bank of Nigeria's drive to redesign the naira as part of its cashless policy. This study therefore investigates cashless policy and the implementation of the new naira redesign in Nigeria.

Conceptualizing Cashless Policy and New Naira Redesign

The literature is replete with mammoth commentaries on cashless policy and institutional frameworks for the implementation of the policy. Majority of these literatures focused on the impacts of cashless policy on economic growth and what it specifically contributes to the national GDP. While cashless policy adorns the literature, currency redesign and currency swap tends not to have enjoyed same higher intellectual discourse. Although currency redesign tends to be part of cashless policy process however, cashless policy is a broader policy framework of financial management.

As can be seen, Ademola (2014) argued that cashless economy is one driven by debit and credit cards as a means of transactions with less or no involvement of physical cash. A cashless transaction simply means the exchange of goods and services through digital transfers (Tee & Ong 2016). It could be noted that though transactions are done electronically, it does not completely eliminate the use of cash but rather reduces number of transactions with physical cash. Within the Nigerian context, the CBN cashless policy drives towards gradual reduction or minimal cash transactions by utilizing other electronic payment systems.

Indeed, cashless policy is a viable strategy for currency control. It addresses geographic and technical obstruction for online payments and permits local and cross-border financial transactions but does not in any way suggest elimination of currency. For instance, studies such as Ajayi, 2014; Yaqub, Bello, Adenuga & Ogundeji, 2013; Daisi, 2016) have separately argued that cashless policy does not intend to outrightly eliminate cash but enhances a condition of minimal circulation and transaction with cash. In line with this position, Daisi (2016) emphasized that cashless policy does not mean a total elimination of cash, as money will continue to be a means of exchange for goods and services in the foreseeable future. In his view, it is a financial environment that minimizes the use of physical cash by providing alternative channels for making payments. Cashless economy does not refer to an outright absence of cash transactions in the economic setting but one in which transactions based on cash are drastically reduced (Yaqub, Bello, Adenuga & Ogundeji, 2013).

Basically, cashless policy in Nigeria tends to promote payments channels that have over the years become more acceptable because of its reliability and safety. Cashless transactions also ease difficulties associated with cash payments, reduce crime and prevent damages arising from disasters. In the last few years, the introduction of electronic banking, online banking, and online transactions appeared to have introduced a new chapter in the Nigerian reform agenda, yet lack of infrastructure and poor implementation means that the use of physical cash is not yet declined. Cash transactions remained inevitable amidst huge opportunities provided by cashless channels. The prevailing haphazard cashless policy implementation, poor deployment and poor maintenance of enabling infrastructure undermine the utility of cashless policy in Nigeria.

On the other hand, currency redesign and swap was strategically aimed at controlling inflation and enabling a political system to recall existing currency for a new one. Muse (2007) posited that redesigning a currency is also a very crucial aspect of inflation control that helps to retrieve old currency in circulation through bank thereby reducing surplus money, though this process may sometimes be driven by internal political dynamics (cited in Olujobi, 2022). Currency redesign could be holistic in which a nation redesign all national currency or partial, in which some denominations be redesigned while other co-exist it the newly redesigned. In all, the fiscal policy of the CBN and the implementation of currency redesign intended to drive towards healthy financial management or transactions and economic growth. Many nations who have previously engaged these processes of cashless and redesign of currency succeeded in their drive for economic recovery and prosperity.

Theoretical Consideration

There is no doubt that African continent faces a grossly deplorable socio-economic and political challenges. Thus, enormous theoretical standpoints can be used to dissect institutional inabilities and state failures that fraught the implementation of new naira swap in Nigeria. The elite theory can suitably explain who decides when and what fiscal policy a nation will wish to pursue at a given time in a polity. Indeed, the elite theory as developed by Jose Ortega Gassat, Vilfredo Pareto, Gaetano Mosca and Roberto Michels is anchored on the assumption that the ruling elites in every society appears vital to the success or failures of the society (Varma, 1975). In many cases, their ideas translate into national agenda that form part of the national policy orientation.

However, the above-mentioned theorists are more concerned with the role of the ruling elites. This is because unlike the non-ruling elites, the ruling elites determine the destiny and the survival of all in their formulation and implementation of state policies. For example, the major obstacle in the naira redesign saga and the crisis facing its implementation are the elites. In one hand, the stakeholders were engrossed with personal benefits rather than collective good thereby making Nigerians to suffer unnecessarily. Till date, Emefiele is still facing trial for the accusation of mismanaging billions of Naira during this period.

Secondly, politically charged environment was exploited by the elites to cause confusion. For instance, former governor of Kaduna State was consistently given contrary directives to the people of Kaduna State and confronting verbally the CBN, her officers and the Nigerian state. The naira redesign policy was confronted with legal battles between some state governors and the federal government including the Central Bank of Nigeria. Essentially, the Supreme Court ruled in favour of the governors and unequivocally stated that the former President Mohammad Buhari bridged the 1999 constitution of the federal government of Nigeria as amended. The court ruled that presidential directives to the Central Bank of Nigeria for the redesigning of the naira lacked consultations from other arms of government and the people as required by law (Emordi & Ikedinma, 2024).

Understandably, majority of the Nigerian elites in political spaces are prone to abusing rules for primitive accumulation. Almost every policy of the state has clandestinely criminally embedded means of sabotage. Nwanegbo & Odigbo (2015) had earlier described the inability of the Nigerian elites to evolve policies capable of attracting investors and sustaining the development trajectories as monumental impediments to growth and development in Nigeria. For them, nations of this kind may perhaps continuously remain underdeveloped. Virtually, all challenges people faced during the period of cash or currency swap may not have occurred if the policy was well articulated by the elites or the state managers, people adequately informed and all necessary measures towards mitigating the impact prudently addressed.

Central Bank of Nigeria and Currency Redesign

Globally, nations sometimes engage in reforms of diverse forms. Currency redesign is one aspect of reforms a national financial institution delves into in an effort to prevent currencies counterfeits and other threats to economic growth. Therefore, redesigned currency or complete change tries to keep counterfeiting low or introduce more security features to protect the currency. For instance, in the last two decades nations like United Kingdom, India and Canada redesigned or changed their currencies.

Essentially, currency redesign and other financial reforms are mainly the responsibility of the apex bank. Therefore its activities with regards to financial management or any specific policy intends to resolve identified national financial problems. In line with aforementioned positions, nations redesign or change their national currencies. For instance the table below shows few countries that have either redesign or change their currencies in the last few decades.

Table: 1. Few Nations that have Redesign their Currencies

S/N	Nation	Year	Currency Reforms
1	Canada	2012 to 2013	Swapping paper currency with polymer
2	India	July 2011	Changing the “Re and Rs”
3	United Kingdom	2016	Swapping paper currency with polymer
4	United Kingdom	2024	Newly redesigned currency featuring King Charles 111
5	Sierra-Leon	July 2022	Introduce new Banknotes
6	Zimbabwe	April, 2024	Introduced Zig currency
7	Cameroon	2023	Introduced new 100-franc polymer notes
8	Nigeria	2022	Naira redesign

Source: Authors compilation

Following from the above, it could be noted that currency redesign or change is globally accepted norms and practices basically carried out by national financial institutions. It is also a legitimate activity backed by law.

Historically, Nigerian has redesigned her currency 16th different occasions between 1959 and 2023. Constitutionally, Central Bank of Nigeria is saddled with the responsibility to determine when to produce, circulate and periodically redesign new currency (Dada, 2023). In Nigeria, the Central Bank of Nigeria’s Act, 2007 provides in details all responsibilities of the bank with regards to the national fiscal policy. More specifically, Section 18 (a) & (b) and Section 20 (3) of the Act empower the CBN to print, redesign, destroy, and re-distribute currencies.

In line with the above mentioned regulatory powers, the Central Bank of Nigeria (CBN) announced on October 26, 2022 that it had concluded arrangement to redesign the N200, N500 and N1000 denominations. The bank was of the opinion that the introduction of the new banknotes would reduce hoarding, deter counterfeiting, and promote a cashless economy by limiting withdrawals of the newly printed banknotes, lessen if not completely eliminate the number of dirty notes in circulation, and avert unlawful or fraudulent transactions (Dada, 2023). He further noted that such strategy helps to regulate money circulating outside established financial institutions since virtually 85% of the banknotes are either hoarded or circulate outside banks.

Indeed, naira redesign is generally targeted at control of national currency and ensuring financial stability. Prior to the redesign exercise in Nigeria, the CBN appeared to have expressed worries over the prevailing hoarding of banknotes. According to the former CBN governor, Emefiele (2023) over 85% of money in circulation are being hoarded outside the Nigeria's commercial banks vaults. He further noted that by September 2022, N3.23 trillion currencies were in circulation but more than half of it, specifically, N2.73 trillion were outside the vault of the banks across the nation. The currency redesign is part of security majors devised by the CBN to help the Nigerian state to contain the rising terrorist activities and kidnap for ransom across the country. In fact, large volume of cash used for ransom is still being held outside banks by the perpetrators. The naira redesign and naira swap would compel criminal elements who held the money to willingly or unwillingly return them to the banking system and would help to curb corruption in the polity (Dada, 2023).

Incidentally, the corrupt practices naira redesign and currency swap process was initiated to curb rather gained prominence and leverages the stakeholders the opportunity to pilfer from the national treasury. More recently, the Economic and Financial Crimes Commission allegedly stated that the Commission has uncovered how former governor of the Central Bank of Nigeria, Emefiele spent N18billion to print N1billion notes. In fact, the implementation was derailed by corruption, scuttled by poor organization, harsh deadlines, sharp practices within the CBN hierarchies and lack of sensitization or stakeholders' engagement.

Politics and CBN New Naira Redesign Implementation in a Troubled Polity

The concept of politics has scholarly remained contestable. In spite of the huge scholarly discourse on the concept of politics, it (politics) is yet to have a generally accepted definition. However, there seems to be a consensus that for a particular event to be associated with politics, it must have to be related to the use of state power. Following from this idea, Odigbo & Udalla (2022) argued that politics is fundamentally about management of state and her scarce resources. They further posited that politics is also considered to be the struggle for state scarce resources and noted that for the fact that resources in a given society seem limited and individuals' needs are unquenchable, contestations over political power become terribly frightening and yet it remains a major medium for addressing these insatiable human needs (Odigbo & Udalla, 2022).

Although politics is fundamentally state-centred affairs but institutions of the state are designed and established to either provide policy support or implement state policy. State institutions are also guided by enabling acts. These acts define its duties and obligations while at the same time stating its modus operandi. Following from this, the Central Bank of Nigeria represents state institution saddled with both economic and financial responsibilities. The CBN was in 2007 outlined the strategic agenda for the Naira. The agenda was design to be implemented in phases. The agenda of the CBN is in line with the key objects of the Central Bank. These objects according to Soludo (2007) are:

(a) ensure monetary and price stability;
(b) issue legal tender currency in Nigeria;
(c) maintain external reserves to safeguard the international value of the legal tender currency;
(d) promote a sound financial system in Nigeria; and
(e) act as banker and provide economic and financial advice to the Federal Government (Soludo, 2007). Thus, issuance of legal tender is part of the major objectives of the agenda. This aspect includes changing or redesigning the legal tender. The Naira redesign of 2023 was implemented by the Central Bank of Nigeria (CBN) under the directive of President Muhammadu Buhari (Emordi & Ikedinma, 2024).

Incidentally, politics and corruption hugely undermined the new naira swap implementation. Sadly, the apex bank does not introduce the process of naira redesign and swap as part of their reform agenda rather was simply directed by the Chief executive to do so. The consequences were heavy and severe on the Nigerian fragile economy. Waziri (2023) posited that the severe scarcity of cash and the consequent economic and collective disruptions caused by the Central Bank of Nigeria currency redesign have manifested many implementation and design flaws that in general appeared to have damaged the effectiveness of this public policy. For him, good ideas or good intentions are not enough for a successful implementation of public policy. Not even securing essential authorisation or showing the energy to stay the course can be seen as a necessary condition for success. It is important to note that not every policy can easily or successfully be implemented with the bullying force of the state especially when the state is democratic.

On the other hand, the period of the implementation further exacerbated rising food prices, insecurity, petrol queues, and election-related anxieties thereby deepening the existing complex situations. The new naira redesign swap implementation was fraught with corruption and sharp practices. First, bank chief-executives especially in the apex bank were accused of fraudulent cash withdrawals and transactions. According to Obazee (2023) the former governor of the CBN, Emefiele was accused of a cash withdrawal totalling $6.23 million and also accused to have fraudulently kept $543.4 million pounds abroad. He further noted that Emefiele manoeuvred the exchange rate and illegally used the ways and means to the tune of N26.6 trillion.

Also, the naira swap led to a poor and unacceptable situation in which naira is used to buy naira due to scarcity and unchecked sharp practices accompanying the process. The CBN former governor Emefiele alleged that bankers were undermining the policy and noted that the apex bank was working in collaboration with Independent Corrupt Practices and other related offences Commission and Economic and Financial Crimes Commission to bring the errant bankers to heel and indeed, the anti-corruption agencies have hauled in some bankers (Waziri, 2023).

Evidently, CBN cashless policy was implemented in a troubled political terrain. The 2023 general elections had diverted attention from governance to politicking thereby altering socio-economic, political, cultural, religious and security realities. More specifically, insecurity in Nigeria has degenerated from a bad condition to a worsening abysmal state threatening to consume all (Odigbo, 2019). Earlier, Nwolise

(2017) puts the situation very succinctly as, "we are all restless and living in fear because of the combined devastating effects of a very sick economy and ravaging insecurity pathogens that are walking in the streets, some with impunity, as the state seems helpless and with great negative effects on the economy and subsequently the lives of Nigerians".

Incidentally, proponents of this cashless policy also argue that the process will help to check insecurity. Yet no suspicious transactions have been investigated especially transactions made in form of ransom. There appears to be less or no reasonable effort to freeze accounts linked to terrorists, criminal or bandits even though the State hurriedly freezes the accounts of sponsors of protests.

Essentially, the period of the swap was bedevilled with hardship arising from the inability of people to access their money. There is obvious lack of transparency among financial institutions. Some commercial banks not only divert but also provide cash to agents who engaged in illegal means of selling naira for naira. Undoubtedly, restrictions on withdrawal limits contributed to artificial condition that stifled financial transactions and compelled people to pass through avoidable difficulties during the period of currency swap. This is in spite the fact that the policy was hastily introduced by the Central Bank of Nigeria hence its attendant disruptive consequences on the lives of the ordinary people. The hastiness in its implementation is not unconnected with the desperation and executive influence on the apex bank.

CONCLUSION

The Central Bank of Nigeria's assumption that Nigeria can swiftly and easily transit to a cashless economy is misguided, as it fails to grasp the reality of financial and transactional situation. Although it is true that many countries around the world have ultimately headed in this direction, Nigeria's development trajectory apparently disconnects or rather does not provide the enablement for easy realization of this idea. It generally appears as if the policy makers are disconnected with reality in Nigeria. Also, the poor coordination of institutions necessary for this implementation is not unconnected to the fraud that many stakeholders delved into in the process of implementing the naira swap. This patterned disarticulation and criminality was possible because of the over-arching influences of the executive arm of government in the entire process. The paper concluded that the continued personalization of state institutions has vehemently stall development of these institutions and the Nigerian State in general. It recommends speedy institutionalization of state agencies with the view to enhancing their capacity to independently perform their constitutional role without undue executive influences.

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